

**REPORT OF THE AUDIT OF THE  
FORMER WARREN  
COUNTY CLERK**

**For The Period January 1, 2002  
Through January 5, 2003**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
[www.kyauditor.net](http://www.kyauditor.net)

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER WARREN COUNTY CLERK**

**For The Period January 1, 2002  
Through January 5, 2003**

The Auditor of Public Accounts has completed the former Warren County Clerk's audit for the period January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five (25%) of fees collected are deposited to the county government fund and quarterly paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The financial statements of the former Warren County Clerk's 75% fund reflect total funds available of \$1,527,306 and disbursements of \$1,527,306 resulting in a zero fund balance as of January 5, 2003. The 25% county government fund had receipts and disbursements of \$477,795 resulting in a zero fund balance as of January 5, 2003.

#### **Deposits:**

The former Clerk's deposits were insured and collateralized by bank securities or bonds.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENT OF RECEIPTS AND DISBURSEMENTS .....	3
FUND BALANCES OF THE FORMER COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER .....	5
NOTES TO THE FINANCIAL STATEMENTS.....	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	11





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Michael Buchanon, County Judge/Executive  
Honorable Yvonne Guy, Former Warren County Clerk  
Honorable Dorothy "Dot" Owens, Warren County Clerk  
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the former County Clerk of Warren County, Kentucky, and the statement of receipts, disbursements, and fund balances of the former County Clerk's operating fund and county fund with the State Treasurer for the period January 1, 2002 through January 5, 2003. These financial statements are the responsibility of the former County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the former County Clerk and the receipts, disbursements, and fund balances of the former County Clerk's operating fund and county fund with the State Treasurer for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Michael Buchanon, County Judge/Executive  
Honorable Yvonne Guy, Former Warren County Clerk  
Honorable Dorothy "Dot" Owens, Warren County Clerk  
Members of the Warren County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2003, on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 28, 2003



WARREN COUNTY  
YVONNE GUY, FORMER COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For The Period January 1, 2002 Through January 5, 2003

Receipts

State Fees For Services	\$	34,579
-------------------------	----	--------

Fiscal Court		20,760
--------------	--	--------

Licenses, Fees, and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	2,199,488
------------------------	----	-----------

Usage Tax		11,969,543
-----------	--	------------

Tangible Personal Property Tax		5,757,531
--------------------------------	--	-----------

Notary Fees		19,772
-------------	--	--------

Lien Release Fees		18,018
-------------------	--	--------

Miscellaneous		936
---------------	--	-----

Licenses-

Marriage		26,565
----------	--	--------

Miscellaneous		325
---------------	--	-----

Deed Transfer Tax		381,089
-------------------	--	---------

Delinquent Taxes		312,905
		20,686,172

Fees Collected for Services:

Recordings-

Bail Bonds	\$	105
------------	----	-----

Deeds, Easements, and Contracts		59,462
---------------------------------	--	--------

Real Estate Mortgages		303,340
-----------------------	--	---------

Chattel Mortgages and Financing Statements		233,773
--	--	---------

Powers of Attorney		7,356
--------------------	--	-------

All Other Recordings		139,641
----------------------	--	---------

Charges for Other Services-

Candidate Filing Fees		2,930
-----------------------	--	-------

Copywork		34,077
----------	--	--------

Postage		21,164
---------	--	--------

Refunds and Overpayments		23,259
--------------------------	--	--------

Miscellaneous		948
		826,055

Interest Earned		4,113
		4,113

Total Receipts	\$	21,571,679
----------------	----	------------

The accompanying notes are an integral part of the financial statement.

WARREN COUNTY  
YVONNE GUY, FORMER COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
For The Period January 1, 2002 Through January 5, 2003  
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,668,892

Usage Tax 11,580,983

Tangible Personal Property Tax 2,029,528

Licenses, Taxes, and Fees-

Delinquent Tax 67,401

Legal Process Tax 84,653

Candidate Filing Fees 1,410 \$ 15,432,867

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 680,756

Delinquent Tax 61,610

Deed Transfer Tax 362,035

Miscellaneous Licenses 209 1,104,610

Payments to Other Districts:

Tangible Personal Property Tax \$ 2,813,019

Delinquent Tax 99,010 2,912,029

Payments to Sheriff

4,313

Payments to County Attorney

52,925

Operating Disbursements:

Other Charges-

Refunds \$ 56,910

Miscellaneous 2,287 59,197

Total Disbursements

\$ 19,565,941

Net Receipts

\$ 2,005,738

Payments to State Treasurer:

75% Operating Fund \$ 1,527,943

25% County Fund 477,795 2,005,738

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statement.

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE FORMER COUNTY CLERK'S OPERATING  
FUND AND COUNTY FUND WITH THE STATE TREASURER

For The Period January 1, 2002 Through January 5, 2003

	75% <u>Operating Fund</u>	25% <u>County Fund</u>	<u>Totals</u>
Fund Balance - January 1, 2002	\$ (637)	\$	\$ (637)
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,527,943		1,527,943
Fees Paid to State - County Funds (25%)		477,795	477,795
Total Funds Available	<u>\$ 1,527,306</u>	<u>\$ 477,795</u>	<u>\$ 2,005,101</u>
<u>Disbursements</u>			
Warren County Government	\$ 45,371	\$ 477,795	\$ 523,166
County Clerk's Statutory Maximum	80,047		80,047
County Clerk's Expense Allowance	3,600		3,600
Deputies' Salaries	890,104		890,104
Employer's Share Social Security	68,957		68,957
Employer's Share Retirement	62,884		62,884
Employer's Paid Health Insurance	119,044		119,044
Computer Rental	106,738		106,738
Copier Rental	33,253		33,253
Dues and Fees	7,654		7,654
Insurance and Bonds	2,861		2,861
Office Equipment	4,035		4,035
Office Supplies	13,687		13,687
Postage	23,106		23,106
Telephone	5,690		5,690
Travel Expense	3,030		3,030
Paper	3,172		3,172
Forms and Printing	2,560		2,560
Making Tax Bills	22,048		22,048
Books and Guides	1,573		1,573
Repair Labor	11,404		11,404
Recording Books	8,057		8,057
Recording Papers	8,431		8,431
Total Disbursements	<u>\$ 1,527,306</u>	<u>\$ 477,795</u>	<u>\$ 2,005,101</u>
Fund Balance - January 5, 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY  
YVONNE GUY, FORMER COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENTS

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WARREN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
January 5, 2003  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deferred Compensation

On February 24, 2000, the Warren County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

Note 4. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003, the former County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the former County Clerk's agent in the former County Clerk's name, or provided surety bond which named the former County Clerk as beneficiary/obligee on the bond.

WARREN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
January 5, 2003  
(Continued)

Note 5. Reimbursed Expenses

The amount deposited to the former County Clerk's Operating Funds (75%) with the State Treasurer included reimbursed expenses. The reimbursed expenses of \$13,006 include payments from the state and county in addition to miscellaneous revenues.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Michael Buchanon, County Judge/Executive  
Honorable Yvonne Guy, Former Warren County Clerk  
Honorable Dorothy "Dot" Owens, Warren County Clerk  
Members of the Warren County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the former Warren County Clerk for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated May 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Warren County Clerk's financial statements for the period January 1, 2002 through January 5, 2003, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Warren County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 28, 2003

